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INDUSTRIAL INVESTMENTS IN HUNGARY
UNDER THE FIVE-YEAR PLAN

János Sebestyén

One of the principal objectives of industrial investments under the Five-Year Plan is modernization of obsolete machinery.

At the Borsodnadasd Sheet-Metal Works or the Matyas Rakosi Works, for example, 50-year-old machines are used for the manufacture of fine sheet metal, and the production methods are also obsolete. As a result, 160-175 kilograms of liquid steel are required for 100 kilograms of sheet metal. In the modern Dunapentele Ironworks, on the other hand, the amount of liquid steel needed for the production of 100 kilograms of sheet metal will be only 140 kilograms.

Modern electric power stations under construction will require a maximum of 3,500 calories, equivalent to 0.9 kilogram of medium-quality coal, for the production of one kilowatt-hour of electricity, whereas obsolete, older plants require 5,500-6,000 calories or more, equivalent to 1.4-1.5 kilograms of medium-grade, 4,000-calorie coal for each kilowatt-hour of energy. In some of the existing power plants, replacement of a few obsolete boilers and turbogenerators by modern installations will likewise reduce coal consumption considerably.

The object of several investment projects is to improve the quality of products instead of stepping up output. Thus, the sheet metal manufactured at Borsodnadasd before the war was unsuitable for high-efficiency transformers. By the installation of modern equipment, however, the quality of the sheet metal for transformers has been improved to prevent loss of power.

The quality of products has also been improved at the Diosgyor Metallurgical Works, where the former method of allowing railroad rails to cool rapidly resulted in damage to the ends of the rails after a short period of use; the rails did not meet Soviet specifications. New investments will provide a method for allowing the ends of the rails to cool slowly.

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In the course of mechanization, coal mined by machinery will increase from 1.1 percent of total production in 1950 to 60 percent in 1954. Currently, only 8 percent of mine-truck loading is performed mechanically; this ratio will be increased to 60 percent by 1954. Mechanical moving of coal in the shafts, which totaled 27 percent of coal mined in 1950, will be increased to 90 percent in 1954.

Mechanization of operations will reduce manpower requirements not only in coal mining, but in metallurgy as well. At the Ozd Metallurgical Works, for example, more than 300 men are needed at present to handle the coke and ore for the production of 1,000 tons of raw steel per day. In 1954, on the other hand, only 20 men will be required for the same operation at the Dunapentele Ironworks, which will produce 1,500 tons of raw steel per day.

Hygienic installations in the shops are also behind the times. Before liberation, entire branches of industry were without even the simplest sanitary installations. At Diosgyor, less than 15 percent of the workers were provided with washrooms, while at Rudabanya Ore Mines, employing 1,000 workers, sanitary installations were entirely absent.

Under the Five-Year Plan, 20-25 percent of the national income will be spent on investment projects, as compared to only 3 percent annually under the Horthy regime. In 1940, due to insufficient investments, Hungarian industry lagged 20-30 years behind the development of the USSR and capitalistic countries.

While a few large-scale plants are under construction at present, the industrial investment program of the Five-Year Plan is characterized chiefly by the creation of a series of medium-sized industries. Many of the new plants will turn out products which were either entirely absent or had a subordinate role in the national economy. New products will include mining machinery, machinery for the building industry, prime movers, electric-switchboard installations, electronic equipment, precision instruments, synthetic sand, etc. Cooperation among the various plants will be intensified. Such complicated machinery as automobiles, autobuses, electric trains, etc., will not be produced in single establishments, but by a series of specialized plants.

Hungarian industry will enter a new phase of development during the Second Five-Year Plan, when extensive vertical industrial establishments will be created. While efforts during the current Five-Year Plan are concentrated on medium-sized projects, the center of gravity will shift toward large-scale, vertical industrial development in the course of the Second Five-Year Plan.

The basis for planning is the balance sheet of national economy. It brings production and consumption into equilibrium. This balance sheet assures that projects of high priority will be included among the investments planned and also provides the physical means for the realization of these projects. The measure of industrial investments is the national income, which shows the quantity of products during a given year, as well as the method and place of their distribution. By elaborating the data of the balance sheet of national income, a breakdown by economic activities is obtained.

Another balance sheet is set up for material, also broken down according to raw and processed products, machinery, equipment, etc. Year by year, the material balance sheet plays an increasingly important role in industrial investment planning. This balance sheet, set up by the National Planning Office for 1951, embraces 400 products and 500 machines. While the national-income

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balance sheet shows the total amount which may be invested, the material balance sheet indicates the character and extent of projects in the various branches of industry.

Investment projects are also guided by the technological-development plan. This plan sets up specifications for the realization of the over-all plan. The national economic balance sheet, for example, requires an increase in crude-iron production from 400,000 to 1,300,000 tons annually. To realize this goal, the technical-development plan makes the following recommendations: metallurgical plants similar to the ones now in existence and designed to make only 0.6-0.7 ton of crude iron per cubic meter of furnace space should be avoided; instead, more modern and more productive plants capable of yielding 1.1 tons of crude iron per cubic meter should be built. Again, the national-income balance sheet may make provisions for the building of a new machine-tool factory, but the technological-development plan specifies that the new plant must be so designed as to make a lathe in 500 man-hours instead of in 2,000.

Hungarian practice in investment planning constantly approaches Soviet methods in insuring plan coordination in plant construction and in pursuing the realization of political, economic, technological, hygienic, and other aims.

When the demand can no longer be met economically by plant expansion or renovation, the building of a new plant is proposed. The investment project is reviewed within the framework of the technological-development plan of the industrial branch concerned by the appropriate economic ministry and the National Planning Office. Subsequently, the plan for the new plant is worked out by the industrial department of the ministry concerned, specifying the location, a detailed list of products, nomenclature of the products, annual production quota, the number of workers and shifts, the date of activation, prospective later expansion, cooperation with other plants, possible cooperation with other plants in the vicinity in sharing electric power, water supply, sewage removal, shipping, etc., source of raw materials, housing for workers, etc. Occasionally, evaluation of two or three different locations is necessary before a final decision is reached.

Industrial planning created a demand for specialized planning institutes, which have come into existence during the past 2 years. In the USSR, a network of planning institutes exists, with a specialized planning institute for each industry. Planning in the USSR has a vertical character, and each institute has specialists for solving all the problems of a large-scale plant. A metallurgical planning institute, for example, not only has foundry specialists, but also experts for power supply, architectural planning, transportation, and other problems.

Due to shortages in specialists, Hungary has not yet reached the high stage of development of the USSR. Hungarian industrial-planning institutes are capable of solving technological problems only, while construction problems are referred to the Building Ministry, water supply and drainage problems to the Ministry of Communications and Posts, transportation problems to the Railroad Planning Office, etc. As a result, planning in Hungary is often faulty and uncoordinated.

It is common occurrence that technical planning is started right after a project has been approved, without allowing sufficient time for the evaluation of several locations. Consequently, planning is haphazard, constantly modified, and often results in poor solutions. Construction is also frequently begun before the final plans are drawn up. The bottleneck of the realization of approved projects is planning.

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Practically all of the building industry is operating under the jurisdiction of the Building Ministry. Currently, the industry is being reorganized under building trusts. The trusts will have a vertical structure, that is, they will embrace not only construction enterprises, but also plumbing, electric, gas, and water installation, and related enterprises. Underground-construction enterprises will continue to be under the jurisdiction of the Ministry of Communications and Posts, which will have charge of railroad, highway, tunnel, harbor, and waterworks construction.

Planning and operation of enterprises in the building and heavy industries are organized by investment enterprises. After the construction of a new large-scale industrial project is approved by higher authorities, the ministry concerned designates or organizes the investment enterprise which will carry out the investment. The funds appropriated for the realization of the project are placed at the disposal of the investment enterprise, which will place an order with the planning institute for the necessary plans and prepare a time schedule for the planning and realization of the project. With the aid of official agencies, the investment enterprise then places contracts with the building enterprises and makes sure that the work to be performed on the new project is properly included in the schedules of these enterprises. After the contracts are placed, the investment enterprise watches over work progress and enlists higher authorities in case of delay. In general, it is responsible for the smooth execution of the project. After completion of the project, the investment enterprise takes over the buildings and machines, places them in operation, and finally turns them over in operating condition to the ministry or the management of the new enterprise.

Preparation and planning of large-scale enterprises in Hungary are largely similar to USSR methods. However, while investment projects in the USSR are realized by each ministry under its own jurisdiction, in Hungary, each industrial ministry must have the building performed by other ministries, and installation work is usually assigned to a third ministry. Single responsibility for the realization of a project is, therefore, nonexistent, and the investment enterprises were designed to assume this responsibility.

Parallel to the construction of new projects, the necessity often arises for the complete reconstruction of an existing project without interruption of operations. The Diosgyor Metallurgical Works, for example, is to be completely rebuilt, its outdated equipment modernized, and its poor planning corrected. Reconstruction projects present the most difficult problems; however, experience in the USSR shows that in most cases they are profitable. For this reason, sooner or later practically all Hungarian large-scale plants will be rebuilt. Accordingly, the sequence, priority, and extent of these reconstruction projects must be worked out immediately. In the USSR, minor shop expansion or renovation is carried out under the jurisdiction of the plant concerned, usually by its own construction unit. In contrast to this practice, similar work in Hungary is the responsibility of the Ministry of Building and, as a rule, requires an inordinately long period of time.

Geographic distribution of industry is another important problem and involves questions of manpower reserve. It is planned to industrialize the region east of the Tisza River and the Great Plain, including such large cities as Szeged and Hodmezovasarhely. It is logical to expect that the local working population will thereby be started on the road to political progress. The unhealthy industrial concentration around Budapest, where over 60 percent of the total industry and over 70 percent of the machine-manufacturing industry of the country are located, should be curtailed. Consequently, no new industrial projects are planned in Budapest under the current Five-Year Plan, as well as during the ensuing period.

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Hungary's industrial landscape will undergo a thorough change. The entire electrical-machine industry is, for example, represented by the Ganz Works and a few smaller plants, all located at Budapest. Under the Five-Year Plan, on the other hand, the manufacture of transformers, electrical appliances, switches, and other electrical machinery will be decentralized and partly transferred to other cities. The first step in this direction was the construction, in 1950, of the Ganz Electrical Instrument Works at Godollo. Excessive decentralization is, of course, just as harmful as overcentralization. Accordingly, the right policy is to create a number of industrial centers throughout the country, with due regard to the availability of raw materials, electric power, water supply, transportation, etc. Transportation considerations are of particular importance, since a large-scale rebuilding of the existing network is out of the question at this time.

Geographic distribution of industry will be aided by the long-range area-development plans being prepared at present under the supervision of the National Planning Office. This project will be composed of national, regional, and local area-development plans. The national plan is designed to chart the role which the various regions, cities, and centers will play in the general economic and political development of the country and to evaluate natural resources. Regional plans will have substantially the same objectives and should also provide the basis for a balance of economic factors within a region. Such typical industrial centers as Budapest or Dunapentele, for example, should, in the future, have adequate local agriculture. Conversely, a typical agricultural region should have adequate local industry to meet the requirements for industrial products of the area.

This article has outlined the most important investment problems of Hungarian industry at this time. The general direction of the country's national economy continues to approximate the Soviet pattern.

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